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Macroeconomic policy questions: financing of development, including net transfer of resources between developing and developed countries

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Giovanni Brauzzi (Italy), on the basis of informal consultations held on draft resolution A/C.2/54/L.38

Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries

The General Assembly,

Reaffirming its resolution 53/172 of 15 December 1998 on the financial crisis and its impact on growth and development, especially in the developing countries,

Noting the high-level regional meeting on the theme "Towards a stable and predictable international financial system and its relationship to social development", held in Mexico on 5 and 6 September 1999, in collaboration with the Economic Commission for Latin America and the Caribbean, in order to contribute to the process launched by the General Assembly in its resolution 53/172,

Recognizing that the increasing globalization of financial markets and capital flows have presented Governments, the multilateral financial institutions and the international community at large with new challenges and opportunities for the mobilization of adequate and more stable resources for promoting economic development and social welfare,

Stressing the importance of the provision of adequate financial resources for the development of all countries, in particular developing countries, including through public and private financial flows, international trade, official development assistance, adequate level of funding support for debt relief, in particular the agreement for an overall financing plan for the enhanced Heavily Indebted Poor Countries Initiative, as well as mobilization of domestic resources, and that the comprehensive and integrated consideration of those issues should continue in the framework of the dialogue and collaboration between the United Nations system and the Bretton Woods institutions,

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Deeply concerned at the overall declining trend in official development assistance, which is a significant external resource for financing development and an important source of support to the efforts of developing countries, in particular least developed countries to create an enabling environment for eradicating poverty and tackling basic social needs, especially where private capital flows may either be inadequate or unavailable,

Emphasizing the importance of finding a durable solution to the problem of developing countries in meeting their external debt and debt-servicing obligations, in order to release resources for financing their development efforts, and in this context welcoming the Cologne initiative launched in June 1999 and the recent decisions of the International Monetary Fund and the World Bank on the enhanced Heavily Indebted Poor Countries Debt Initiative, which should provide deeper, broader and faster relief, and in this regard stressing the need for fair, equitable and transparent burden-sharing among the international public creditor community and other donor countries,

Noting the establishment of credit contingency lines by the International Monetary Fund, and the efforts to create and strengthen the regional reserves in some regions,

Expressing the need for future multilateral trade negotiations to result, *inter alia*, in increased access to markets for goods and services that are of export interest to developing countries, in particular the least developed countries, as trade is an important source of financial resources for their development efforts,

Mindful of the need that the benefits of the increasing integration of global markets should be extended to all nations and peoples, in particular to the developing countries, especially the least developed among them, and noting that while a number of developing countries have been able to take advantage of globalization of finance, not all countries have benefited from such flows as they may not be available or adequate or are too concentrated to satisfy the need of developing countries, especially the least developed among them, and therefore the need for the expansion of private capital flows while reducing risks of volatility and for broader access by developing countries to those flows,

Noting the desirability of financial regulatory frameworks so that capital mobility should benefit developing economies rather than undermine their development efforts, and noting in particular that short-term speculative capital flows, owing to their highly volatile nature, can often have negative impacts on the long-term goals of developing countries,

Regretting that the recent financial crises led to a significant slowdown in the economic growth of many developing countries and other affected countries and negative impacts in terms of social development, with the gravest impact on the most vulnerable, and in this context noting that while some of the most visible effects of the crises are being overcome in some regions and sectors, continued action on a wide range of reforms needs to be taken to strengthen the international financial system and to adopt as well as implement economic and legal frameworks while reaffirming the need for continued efforts of individual economies necessary to avoid the repetition of such crises,

Recognizing that the recent financial crises have exposed weaknesses in the international financial system, and underlining the urgent need to continue to work on a wide range of reforms for a strengthened and more stable and international financial system, with a view to enabling it to deal more effectively and in a timely manner with the new challenges of development in the context of global financial integration,

Emphasizing that the United Nations, in fulfilling its role in the promotion of development, in particular of developing countries, plays an important role in the international efforts to build up the necessary international consensus on the continuation of a wide range of reforms needed for a strengthened and more stable international financial

system responsive to the challenges of development, especially in the developing countries, and to the promotion of economic and social equity in the global economy,

1. *Takes note with appreciation* of the report of the Secretary-General,[1] the note by the United Nations Conference on Trade and Development entitled "The financial crisis and its impact on growth and development, especially in the developing countries",[2] the report of the Executive Committee on Economic and Social Affairs entitled "Towards a new international financial architecture", the *World Economic and Social Survey, 1999*[3] and the *Trade and Development Report, 1999*;[4]

2. *Emphasizes* the need to renew national, regional and international efforts, in order to promote international financial stability, and to this end to improve early warning, prevention and response capabilities for dealing with the emergence and spread of financial crisis in a timely manner, taking a comprehensive and long-term perspective, while remaining responsive to the challenges of development and the protection of the most vulnerable countries and social groups;

3. *Stresses* the importance of having an enabling international environment through strong cooperative efforts by all countries and institutions to promote global economic development, and to this end calls upon all countries, in particular major industrialized countries, which have significant weight in influencing world economic growth, to adopt and pursue coordinated policies conducive to world economic growth and international financial stability and the promotion of a favourable external economic environment for a widespread economic recovery, including the full recovery of crisis-affected countries;

4. *Recognizes* the importance of international financial stability, and in this context invites developed countries, in particular major industrialized countries, when formulating their macroeconomic policies, to take into account the priorities of growth and development, in particular of developing countries,

5. *Also stresses* the importance at the national level of strong domestic institutions to promote the achievement of growth and development, including through sound macroeconomic policies and policies aimed at strengthening the regulatory and supervisory systems of the financial and banking sectors, including appropriate institutional arrangements both in the countries of origin and destination of international capital flows;

6. *Recognizes* the importance of accelerating the growth and development prospects of least developed countries, which remain the poorest and most vulnerable of the international community, and calls upon development partners to carry on their efforts to increase official development assistance and their efforts aimed at strengthened debt relief, improved market access and enhanced balance-of-payment support;

7. *Stresses* the need for a continued and constructive dialogue in the relevant institutions and forums among developed and developing countries, including at the regional and subregional levels, on the need for the international community to continue to work together in formulating approaches to promote financial stability and on issues related to strengthening and reforming the international financial system, and in this context reiterates the need for broadening and strengthening the participation of developing countries in the international economic decision-making process in order to promote more efficient

[1] A/54/471.

[2] A/54/512/Add.1.

[3] United Nations publication, Sales No. E.99.II.C.1.

[4] United Nations publication, Sales No. E.99.II.D.1.

international financial institutions and arrangements in which all relevant interests can be effectively represented;

8. *Encourages* the deepening of the dialogue between the Economic and Social Council and the Bretton Woods institutions in order to promote the wide range of reforms needed in international financial architecture that reflects the global interests of the international community, and in this regard recommends that their next high-level meeting give priority to the consideration of the modalities to achieve a strengthened and more stable international financial system responsive to the challenges of development, especially in the developing countries, and to the promotion of economic and social equity in the global economy;

9. *Emphasizes* that the international financial institutions, in providing policy advice and supporting adjustment programmes, should ensure that they are sensitive to the specific circumstances of concerned countries and to the special needs of developing countries and work towards the best possible outcomes in terms of growth and development, including poverty eradication, including through the protection of effective social expenditure determined by each country in accordance with its national economic and social development strategies;

10. *Stresses* the need to further define the role and improve the capacities of the international, regional and subregional financial institutions with regard to the prevention, management and resolution in a timely and effective manner of international financial crisis, and in this regard encourages efforts to enhance the stabilizing role of regional and subregional financial institutions and arrangements in supporting the management of monetary and financial issues, in accordance with the mandate of each institution, and requests the regional commissions to provide their views on this matter to the General Assembly at its fifty-fifth session through their regular reporting to the Economic and Social Council;

11. *Emphasizes* the need to further develop early warning capacities and modalities to prevent or, as the case may be, to take timely action to address the threat of financial crisis, and in this regard encourages the International Monetary Fund and other relevant international and regional institutions to continue their efforts to contribute to this process;

12. *Underscores* the need for the enhancement of worldwide financial stability, including through the provision to the international financial institutions, in particular the International Monetary Fund, of adequate resources to provide emergency financing in a timely manner to countries affected by financial crisis;

13. *Underlines* that the opening of the capital account must be carried out in an orderly, gradual and well-sequenced manner, keeping its pace in line with the strengthening of the ability of countries to cope with its consequences, underscores the crucial importance of solid domestic financial systems and of an effective prudential framework, invites the International Monetary Fund, the World Bank and relevant international regulatory bodies to contribute to this process, and in this context recognizes that all countries have autonomy in the management of capital accounts in accordance with their own national priorities and needs;

14. *Reaffirms* the need to strengthen international and national financial systems through a more effective national, regional and international surveillance of both the public and private sectors, based, *inter alia*, on the improvement of the availability and transparency of information, as appropriate, and possible additional regulatory and voluntary disclosure measures concerning financial market participants, including international institutional investors, in particular concerning highly leveraged operations, and in this

context reaffirms the importance of continuing to work in the relevant forums on questions related to surveillance, transparency and disclosure, regulation and supervision;

15. *Stresses* the importance of strengthened collaboration between the World Bank and the International Monetary Fund in specific areas where collaboration is needed, such as the financial sector, while recognizing the specific mandates of the two institutions, and also stresses the need for institutions dealing with financial crises to keep in mind the overall objective of facilitating long-term development;

16. *Calls* for the renewal of national, regional and international efforts to promote the greater involvement of the private sector in the prevention and resolution of financial crisis, and in this context underscores the importance of a more equitable distribution of the cost of adjustments between the public and private sectors and between debtors, creditors and investors, and requests the United Nations Conference on Trade and Development to inform the General Assembly at its fifty-fifth session on the work it has undertaken on this matter;

17. *Reiterates* its call upon the international community to pursue national, regional and international efforts to contribute to minimizing negative impacts of excessive volatility of global financial flows, reiterates in this context the need to consider the establishment of regulatory frameworks for short-term capital flows and trade in currencies, and invites the International Monetary Fund and the relevant regulatory bodies to contribute to this process;

18. *Underlines* the importance that sovereign risk assessments made by private sector agencies be based on objective and transparent parameters, and in this regard invites the relevant national, regional and international regulatory bodies to contribute to the development of appropriate standards to ensure that risk-assessment agencies provide complete and accurate information on a timely and regular basis;

19. *Encourages* the continuing efforts of the World Bank and regional development banks to help Governments to address the social consequences of crisis, in particular through the strengthening of social safety nets in developing countries, particularly for the most vulnerable groups, without losing sight of the long-term goals of development;

20. *Requests* the Secretary-General to support, including through collaboration with the regional commissions and regional and subregional initiatives, the ongoing work on the identification of measures that will contribute to a more stable and predictable international financial system responsive to the challenges of development, in particular of developing countries, and in this regard requests the Secretary-General to make available the results of those exercises to the General Assembly at its fifty-fifth session;

21. *Also requests* the Secretary-General, in close cooperation with all relevant entities of the United Nations, including the United Nations Conference on Trade and Development and the regional commissions, within their respective mandates, and in consultation with the Bretton Woods institutions, to report to the General Assembly at its fifty-fifth session on the implementation of the present resolution under the sub-item, "Financing of development, including net transfer of resources between developed and developing countries", with an analysis of the current trend in global financial flows, and of recommendations for an agenda for a strengthened and more stable international financial system responsive to the priorities of growth and development, in particular of developing countries and to the promotion of economic and social equity in the global economy;

22. *Requests* the President of the General Assembly to transmit the present resolution to the Board of Directors of the World Bank and the International Monetary Fund, in order to bring it to their attention as an input to their discussions on these matters.